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RONYX

corporation limited

1975 Annual Report



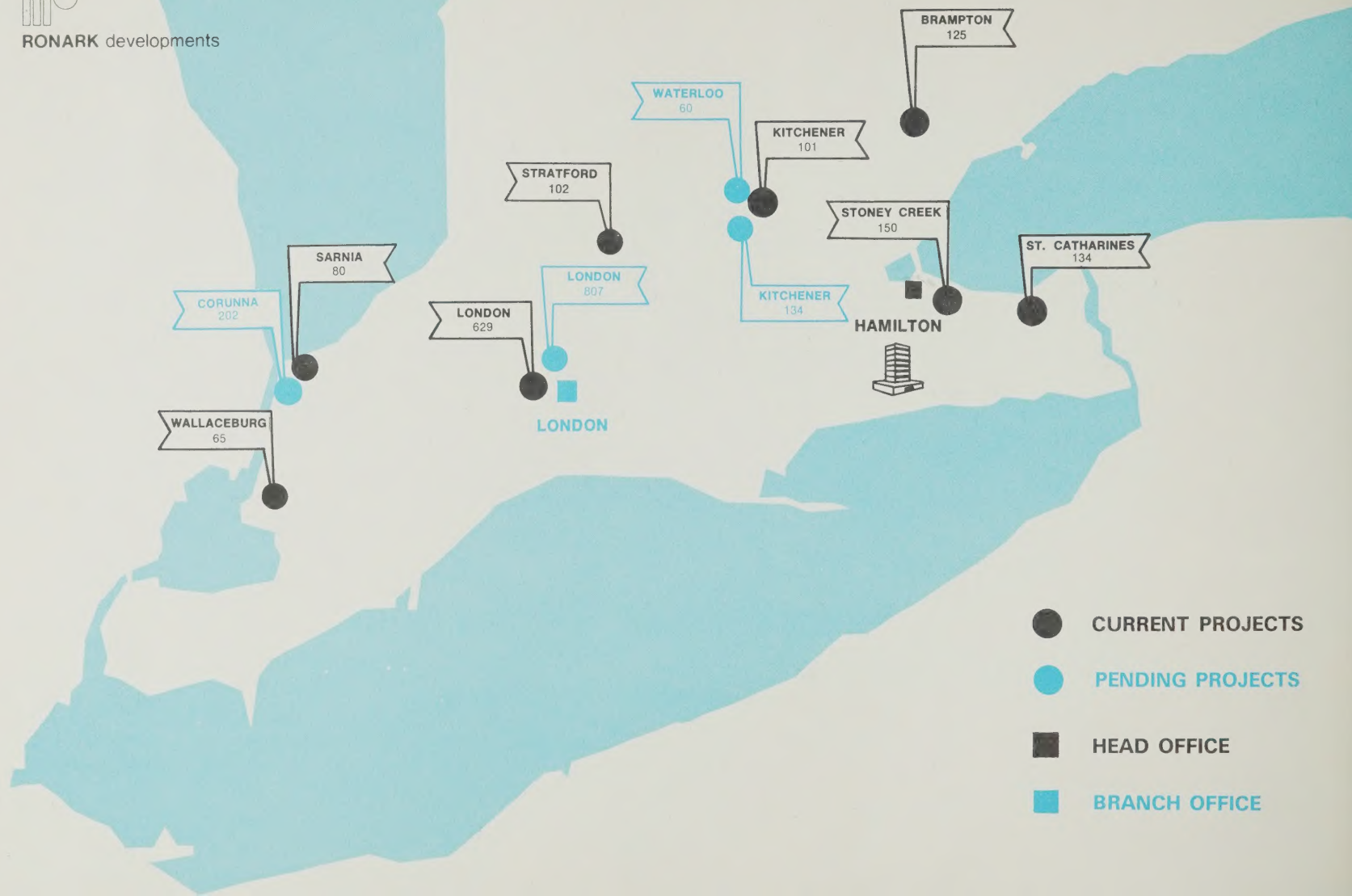
FLEET industries



RONARK developments



RONARK developments



RONYX corporation limited

DIRECTORS

Ronald K. Fraser	President Ronyx Corporation Limited
Samuel Lax	President Lax Iron & Steel Ltd., Hamilton
C. Norman Lucas	President and Chief Executive Officer Dynamic Industries Inc., Quebec
Donald G. MacDonald	Vice President and General Manager Ronark Developments, Hamilton
D. Donald C. McGeachy	Director and Consultant London
G. Philip Morphy	Corporate Vice President Ronyx Corporation Limited
J. Frederick Taylor	President J. F. Taylor & Associates Ltd., Ottawa

AUDITORS

Clarkson, Gordon and Company,
Hamilton, Ontario

BANKERS

The Toronto-Dominion Bank

TRANSFER AGENTS

Guaranty Trust Company
of Canada,
Toronto, Ontario
Vancouver, British Columbia

OFFICERS

RONYX corporation limited

Ronald K. Fraser	President
G. Philip Morphy	Corporate Vice President
E. Delbert Hickey	Vice President Legal
Jean E. Spacca	Secretary



FLEET industries Manufacturing Division

Gordon B. Sampson	Vice President and General Manager
Leonard Maloney	Director of Manufacturing
Alexander J. Cook	Director of Marketing
Roy Dear	Treasurer and Controller



RONARK developments Real Estate Division

Donald G. MacDonald	Vice President and General Manager
Donald G. Ness	Senior Vice-President
Frank T. Wilkinson	Vice President Land Development and Sales
Clifford J. Bryson	Vice President Construction
William C. Hesler	Treasurer and Controller

HEAD OFFICE

20 Hughson Street South, Hamilton, Ontario

MAILING ADDRESS

P.O. Box 800, Hamilton, Ontario L8N 3M8

RONYX corporation limited
FINANCIAL HIGHLIGHTS

	Year ended September 30, 1975			Year ended September 30, 1974		
	(in thousands of dollars except for per share information)					
	Manufacturing	Real Estate	Total	Manufacturing	Real Estate	Total
SALES	\$ 11,956	\$ 15,081	\$ 27,037	\$ 13,864	\$ 9,192	\$ 23,056
NET EARNINGS (LOSS) BEFORE REFLECTING AFFILIATED COMPANIES	\$ (238)	\$ 690	\$ 452	\$ 250	\$ 236	\$ 486
NET EARNINGS (LOSS)	\$ (238)	\$ 63	\$ (175)	\$ 184	\$ 252	\$ 436
ORDER BACKLOG	\$ 17,873	\$ 23,000	\$ 40,873	\$ 19,500	\$ 26,255	\$ 45,755
EARNINGS (LOSS) PER COMMON SHARE			\$ (.07)			\$.17
WORKING CAPITAL			\$ 3,525			\$ 4,016
NEW FACILITIES AND EQUIPMENT			\$ 189			\$ 266
LONG TERM DEBT			\$ 2,136			\$ 2,629
SHAREHOLDERS' EQUITY AT YEAR END			\$ 4,569			\$ 4,744
COMMON SHARES OUTSTANDING AT YEAR END			2,521,000			2,521,000
COMMON SHAREHOLDERS' EQUITY PER SHARE			\$ 1.81			\$ 1.88

PRESIDENT'S LETTER TO THE SHAREHOLDERS:

Consolidated sales for the year amounted to \$27 million compared to \$23 million for the preceding year. The consolidated net loss of \$175,000 after making a provision of \$650,000 for projected losses in Arkton Corporation Limited, an affiliated company, compares to net earnings of \$436,000 for the previous year.

FLEET INDUSTRIES, Manufacturing Division

On sales of \$11,956,000, down \$1.9 million from the preceding year, there was a net loss of \$138,000 compared with a net profit of \$250,000 last year. The decline in the volume of production activity by 37% between the two years was the major factor contributing to this loss. A net loss of \$100,000 on our investment in Sandtron Electronic Industries Limited produced a total loss of \$238,000.

The recession has continued to plague the airline carriers resulting in cancellations and, more particularly, postponement of new aircraft purchases. In addition to the 1975 production schedule cut backs, mentioned in last year's report for the Boeing 707 and the Lockheed L-1011 aircraft, there have been schedule reductions on the McDonnell Douglas DC9 and the de Havilland DHC6 Twin Otter.

The prolonged strike at de Havilland and the delay in releasing production on the DHC7 had a serious impact on our factory hours. As an original participant in the DHC7 program, all of the tooling for the bonded components, more extensive than on any previous de Havilland aircraft, was built at Fort Erie. Fleet has produced bonded skins for the preproduction aircraft and has been awarded the inboard nacelles and the parts common to the outboard nacelles. The Federal Government has just announced a production release for 50 aircraft but the details are not known as yet. A decision has been reached by the Federal Government to purchase the modified Lockheed Orion to fulfill the L.R.P.A. mission (long range patrol). This is the most significant aircraft purchase in this decade and the conditions of purchase are that a substantial amount of work must be placed in Canada. Fleet is making strong representations that our capabilities and competitiveness merit a major contract, although nothing specific has been determined as yet. The situation is complicated by the fact that the Federal Government is still considering rationalization of the Canadian aerospace industry and most of the attention has been focused on de Havilland, now owned by the Government of Canada and on Canadair in Montreal, Quebec, operating under an option to purchase to the Government of Canada which has just been exercised. It will take time to translate the Government's decisions into factory hours at Fleet and thus the short term prospects are not likely to improve significantly. However, renewed orders for the Bell air cushion vehicle look promising and an order from General Electric for heat exchanger cabinets and stavemates is imminent. In addition, there are quotes submitted for further work on the Douglas A4E and the Grumman A6 and on sonar to prime contractors for the navies of Argentina, Venezuela and Indonesia.

The year end backlog amounted to \$17.9 million with future options not yet booked of \$18.1 million. The average employment declined to 493 from 681 for the previous year.

RONARK DEVELOPMENTS, Real Estate Division

On sales of \$15,081,000, net earnings amounted to \$690,000 compared to sales of \$9,192,000 and earnings of \$236,000 for the previous year. A provision for projected losses in Arkton Corporation Limited of \$650,000 and a net income of \$23,000 in other affiliated companies resulted in a net profit of \$63,000 from the real estate operations.

The growth in sales and earnings can be attributed to selective short range land acquisition and a technical and administrative ability to bid competitively on contract housing, principally for the Ontario Government.

Of significance for our future operations is the approval, by the Ministry of Housing, of a draft plan of subdivision for PHASE I of Ronleigh Village in London in which Ronyx has a 50% interest. This plan, covering 69 acres out of a total of 135 acres, will provide for approximately 500 low rise

housing units of various types. Municipal servicing and home construction are expected to start in the spring 1976.

Delays have been encountered at the municipal level in the processing of the first phase (224 town-houses on 16 acres) of our participation with Calvert-Dale Estates Limited in Brampton where the total available holdings for development amount to 86 acres. Action is being taken through the Ontario Ministry of Housing to reach a solution.

Our joint venture with Major Holdings and Developments Limited of Waterloo, which began in 1972, continues to be successful and has been extended for approximately three years for the develop-ment of housing on land in Kitchener and Sarnia.

During the year, contract sales amounted to \$4,351,000 and speculative sales totaled \$10,730,000. At the year end, Ronark had 553 housing units under construction — 252 senior citizen apartments in London, 102 senior citizen apartments in Stratford, 18 semi-detached units in Sarnia, 101 condo-minium townhouse units in Kitchener and 80 condominium townhouse units in Sarnia. Value of the uncompleted portion of the projects under construction at the end of the year, and work to be started in the current fiscal year, is approximately \$23 million made up as follows:

Contract housing	30%
Condominium townhouses for sale	42%
Single family houses for sale	28%

Ronark's demonstrated capabilities in the low cost housing field are complemented by the emphasis of governments at all levels on that sector of the market. A further increase in earnings for the fiscal year ending September 30, 1976 is anticipated.

Arkton Corporation Limited, jointly owned by Ronyx and Sifton Properties Limited, in an effort to deal with the depressed real estate market in Florida has introduced more competitive features and selling prices with a new sales staff. Since September, there have been six sales with a total of 26 now sold out of 54 completed units. Activity in the North Palm Beach area appears to be im-proving and, particularly, at Twelve Oaks. Ronyx has developed a lower density plan for the balance of the land and a more marketable concept for the remaining water frontage. Currently, efforts are being made to continue the development of Twelve Oaks under a revised financing plan since Sifton Properties Limited has indicated a desire to sell.

Provision for the loss on the liquidation of the remaining completed apartments, principally due to the carrying charges, has been made. Our appraisal is that the U.S. economy is improving and, if financing can be arranged, Twelve Oaks can be developed and sold over a three year period with substantial recovery.

SANDTRON ELECTRONIC INDUSTRIES LIMITED

A market survey indicated that sales could not develop quickly enough to warrant an increased investment and Ronyx agreed with its partner to discontinue this joint venture. Ronyx acquired all of the shares of Sandtron and sold the inventory and operations to its former partner with a net loss of \$100,000 reflecting operational losses and termination costs.

Fleet employees deserve commendation for maintaining morale and effort during a time of declin-ing employment. The unions cooperated in trying to maintain our skills by agreeing to a 4-day week for a 16 week period and this warrants special thanks and indicates the spirit of communication and loyalty that exists at Fleet.

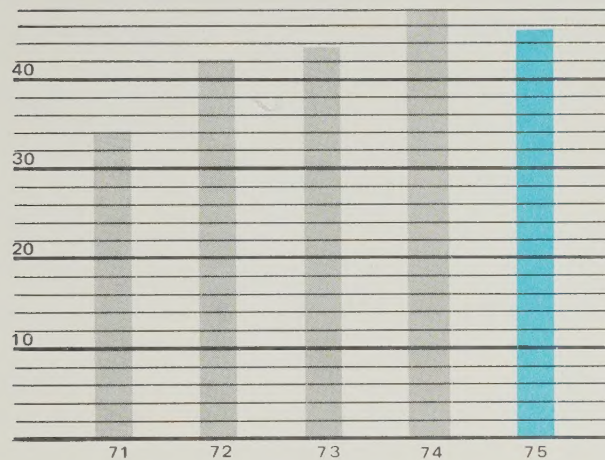
Ronark staff, too, are to be complimented for increasing volume and profits while maintaining essen-tially the same overhead in the face of continuing obstacles at every level, a major factor in the increasing cost of the land element in housing prices.

The directors and management extend thanks and appreciation to all of our employees in the Manu-facturing and Real Estate divisions and affiliated companies.

R. K. FRASER,
President.

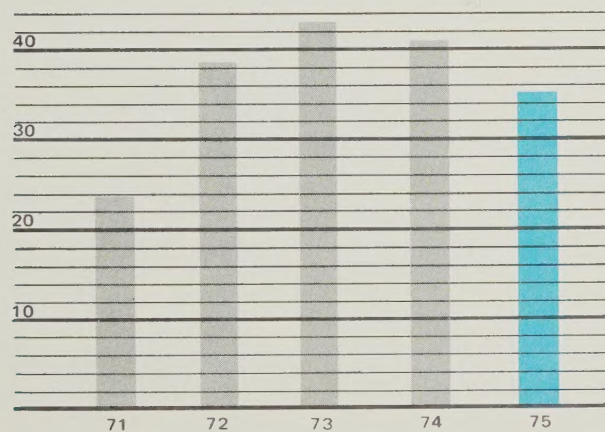
SHAREHOLDERS' EQUITY

HUNDRED THOUSANDS



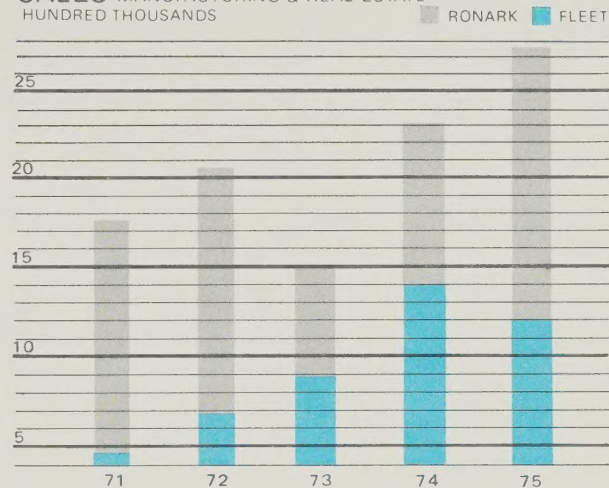
WORKING CAPITAL

HUNDRED THOUSANDS

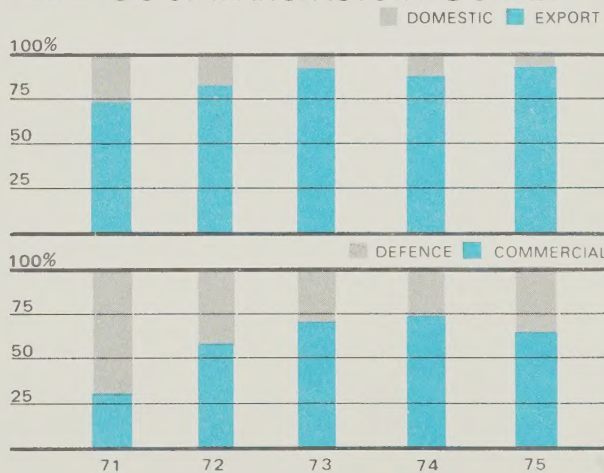


SALES MANUFACTURING & REAL ESTATE

HUNDRED THOUSANDS



ANALYSIS OF MANUFACTURING SALES



CONSOLIDATED BALANCE SHEET **SEPTEMBER 30, 1975**

(with comparative figures at September 30, 1974) (in thousands of dollars)

ASSETS

	<u>1975</u>	<u>1974</u>
CURRENT:		
Condominium deposits in trust	\$ 599	\$ 160
Accounts receivable	4,117	3,716
Investment in affiliated companies recoverable within one year	297	370
Inventories (note 2)	6,417	8,074
Mortgage receivable		113
Prepaid expenses and other current assets	129	128
Total current assets	<u>11,559</u>	<u>12,561</u>
INVESTMENT IN AFFILIATED COMPANIES (note 1(b))	1,361	1,687
SECOND MORTGAGES RECEIVABLE—varying maturities to 1980	211	
FIXED (note 3):		
Land, buildings, machinery and equipment, leasehold improvements, at cost	4,490	4,330
Less accumulated depreciation	3,008	2,828
	<u>1,482</u>	<u>1,502</u>
DEFERRED CHARGES, less amortization (note 1(e))	550	618
	<u><u>\$ 15,163</u></u>	<u><u>\$ 16,368</u></u>
On behalf of the Board:		
RONALD K. FRASER, Director		
G. PHILIP MORPHY, Director		

LIABILITIES

	1975	1974
CURRENT:		
Bank indebtedness (note 4)	\$ 3,240	\$ 2,756
Accounts payable and accrued charges	2,854	3,016
Income and other taxes payable	321	234
Mortgages payable on land and housing units under construction	595	1,369
Demand notes payable to affiliated companies		120
Current instalments on long term debt (note 5)	557	553
Deferred income taxes relating to current assets	467	497
Total current liabilities	8,034	8,545
 LONG TERM DEBT (note 5)	2,136	2,629
 DEFERRED INCOME ON LAND SALE to affiliated company	181	181
 DEFERRED INCOME TAXES relating to non-current assets	243	269
 SHAREHOLDERS' EQUITY:		
Capital stock—		
Common shares without nominal or par value:		
Authorized—5,600,000 shares		
Issued —2,521,000 shares	2,240	2,240
Retained earnings	2,329	2,504
	4,569	4,744
	<u>\$ 15,163</u>	<u>\$ 16,368</u>

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT

To The Shareholders of Ronyx Corporation Limited:

We have examined the consolidated balance sheet of Ronyx Corporation Limited and its subsidiaries as at September 30, 1975 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In the case of a majority of the companies accounted for by the equity method, we have relied on the reports of the auditors who have examined their financial statements.

As more fully described in note (1) (c) to the consolidated financial statements, substantial price increases on two major contracts must be negotiated to offset increased costs caused by production delays requested by the customers. The outcome of these negotiations cannot be determined as at the date of this audit report. However, management is of the opinion that the increased costs will ultimately be recovered and no provision for losses is required in the company's accounts.

In our opinion, subject to the recovery of the costs referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants.

Hamilton, Canada,
November 20, 1975.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED SEPTEMBER 30, 1975 (with comparative figures for 1974) (in thousands of dollars)

	1975			1974
	Manufacturing	Real estate	Total	Total
Sales	<u>\$ 11,956</u>	<u>\$ 15,081</u>	<u>\$ 27,037</u>	<u>\$ 23,056</u>
Income (loss) from operations before the following—	\$ (365)	\$ 1,217	\$ 852	\$ 1,197
Accelerated amortization of deferred charges				205
Preproduction and development costs of de Havilland DHC7 project (net)				100
Income taxes (recovery)	(127)	527	400	406
Income (loss) before income (loss) of affiliated companies	(238)	690	452	486
Income (loss) from operations of affiliated real estate companies (including provision for Arkton (note 1(b))		(627)	(627)	16
Provision for loss on investment in affiliated manufacturing company				(66)
Net income (loss) for the year	<u>\$ (238)</u>	<u>\$ 63</u>	(175)	436
Retained earnings at beginning of year			2,504	2,068
Retained earnings at end of year			<u>\$ 2,329</u>	<u>\$ 2,504</u>
Earnings (loss) per common share	<u>\$ (.09)</u>	<u>\$.02</u>	<u>\$ (.07)</u>	<u>\$.17</u>

See accompanying notes to consolidated financial statements.

RONYX corporation limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 1975 (with comparative figures for 1974) (in thousands of dollars)

	1975	1974		1975	1974
APPLICATION OF FUNDS:			CHANGES IN COMPONENTS OF WORKING CAPITAL:		
New facilities and equipment (net)	\$ 189	\$ 266	Increases (decreases) in current assets—		
Deferred charges	361	517	Condominium deposits in trust	\$ 439	\$ 160
Advances to affiliated companies (net)	485	940	Accounts receivable	401	1,141
Increase in second mortgages receivable	211		Investment in affiliated companies recoverable within one year	(73)	311
Decrease in long term debt	493	511	Inventories	(1,657)	2,353
	<u>1,739</u>	<u>2,234</u>	Mortgage receivable	(113)	113
			Prepaid expenses and other current assets	1	(66)
				<u>(1,002)</u>	<u>4,012</u>
SOURCE OF FUNDS:					
Operations—			Increases (decreases) in current liabilities—		
Net income (loss) for year	(175)	436	Bank indebtedness	484	2,481
Depreciation	209	225	Accounts payable and accrued charges	(162)	953
Amortization of deferred charges	429	816	Income and other taxes payable	87	203
Deferred income taxes	(26)	(58)	Mortgages payable	(774)	277
Net loss (income) of affiliates for year	627	(16)	Demand notes payable to affiliated companies	(120)	(200)
Dividends from subsidiaries	184	321	Current instalments on long term debt	4	277
	<u>1,248</u>	<u>1,724</u>	Deferred income taxes relating to current assets	(30)	237
Funds from operations	1,248	1,724		<u>(511)</u>	<u>4,228</u>
Decrease in mortgage receivable		113			
Deferred income on land sale		181			
	<u>1,248</u>	<u>2,018</u>			
DECREASE IN WORKING CAPITAL	491	216	DECREASE IN WORKING CAPITAL	\$ 491	\$ 216
WORKING CAPITAL BEGINNING OF YEAR	4,016	4,232			
WORKING CAPITAL END OF YEAR	<u>\$ 3,525</u>	<u>\$ 4,016</u>			

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1975

(1) Accounting policies —

The major accounting principles and practices followed by Ronyx are presented below to assist the reader in evaluating the financial statements:

(a) Basis of consolidation:

The consolidated financial statements as at September 30, 1975 include the accounts of the company's wholly-owned subsidiaries, Sandtron Electronic Industries Limited, and two other inactive companies.

(b) Investment in affiliated companies:

Investments in affiliated companies (in all of which Ronyx has a 50% interest) are accounted for on the equity method with the exception of Arkton Corporation Limited. Arkton is a joint venture arrangement with Sifton Properties Limited of London, Ontario, developing a condominium project in North Palm Beach, Florida. This company's last fiscal period ended on December 31, 1974, and audited financial statements at that date indicated a deficit of \$160,736. Because of depressed market conditions in Florida, it was not possible at that date to establish that the company would recover its investment in land and construction and, as a result, the auditors qualified their opinion on the financial statements in that respect. It is still not practicable to determine with precision the realizable value of Ronyx's investment in the joint venture at September 30, 1975. However, based on long range projections, Ronyx's investment in Arkton, comprised of an advance of \$1,011,000 and common share subscription of \$2,000, is carried at cost less a provision for estimated loss on realization of \$650,000. In addition to its cash advances, Ronyx and Sifton have jointly guaranteed the bank loan of Arkton amounting to \$3,700,000 at September 30, 1975.

(c) Revenue recognition:

Gross profit on contracts (including programs specifying anticipated requirements, but without firm commitments) is recorded as follows:

- (i) On contracts or programs extending beyond one year billable at a fixed price per unit, the proportion of total estimated gross profit for the entire contract or program applicable to the number of units shipped (see note (1)(d) and (e)).
- (ii) On other contracts billable at a fixed price per unit, the actual gross profit applicable to units shipped.
- (iii) On residential construction contracts, the percentage of completion method.

Where it is expected that a loss will be incurred on completion, provision is made for the total estimated loss. In the case of contracts extending beyond one year, revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known.

Under contracts with Lockheed Aircraft Corporation and Douglas Aircraft Company of Canada Limited, selling prices were established and minimum levels of production specified. In both cases, production scheduling has been delayed at the request of the customer and, as a result, the contract prices are open for renegotiation. Substantial price increases will be required to recover increases in labour, overhead and finance costs but, in the opinion of management, Ronyx will recover these costs as well as the learning curve costs and deferred charges referred to in note 1(d) and (e), and no provision for losses on these contracts is required in the company's accounts.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value. The costs in inventory under the Lockheed L1011 program consist of total production costs to date less costs charged against income for shipsets delivered. The unit cost of deliveries is based on estimated average unit cost of 200 units to be produced under the program. This estimated average unit cost is predicated on the assumption that production costs (principally labour and overheads) will decrease as the project matures and efficiencies associated with increased volume, improved production techniques and the performance of repetitive tasks (the learning curve concept) are realized. During the initial years of the Lockheed L1011 program the actual unit cost of shipsets produced exceeded the estimated average unit cost for the program and the aggregate excess to date, included in inventory cost, at September 30, 1975 amounted to \$157,000 (\$294,000 at September 30, 1974).

(e) Deferred charges:

Financing, engineering and tooling costs applicable to the Lockheed L1011 program, and financing costs applicable to the Boeing 707 program, have been deferred in the accounts and are being amortized by charges to income as units are shipped. The Lockheed L1011 costs are being amortized on a unit of production basis over 200 aircraft (Lockheed has firm orders for 154 aircraft and buyers have taken cancellable options for a further 55 aircraft). The company has delivered 134 shipsets. Deferred charges less amortization amounted to \$550,000 at September 30, 1975.

Engineering and tooling costs applicable to other programs are included in work in progress to the extent recoverable.

(f) Fixed assets:

Additions to fixed assets are recorded at cost. Depreciation is provided at rates to amortize the assets over their estimated useful life as follows:

On diminishing balance —	
Buildings	5% or 10%
Machinery, furniture and equipment	20%
Automobiles	30%
On straight-line basis —	
Leasehold improvements	Term of lease

(g) Income taxes:

The company follows the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income result in prepaid or deferred taxes.

(h) Pension plans:

The total unamortized past service costs under retirement plans of the company which are not reflected in the accompanying financial statements, are being amortized and charged to operations over the period to 1989 (note 7).

(2) Inventories —

Inventories consist of the following:

	1975	1974
	(in thousands of dollars)	
Manufacturing:		
Work in progress (after deducting progress payments of \$801,000 in 1975 and \$829,000 in 1974)	\$ 2,420	\$ 2,745
Excess of manufacturing or production cost of delivered units over the estimated average cost of all units to be produced (note (1) (d))	157	294
Raw materials and supplies	1,723	1,519
	<u>4,300</u>	<u>4,558</u>
Real estate group:		
Land and housing under construction	1,697	2,765
Land for resale	420	751
	<u>2,117</u>	<u>3,516</u>
	<u>\$ 6,417</u>	<u>\$ 8,074</u>

(3) Fixed assets —

Fixed assets consist of the following:

	1975			1974
	Cost	Accumulated depreciation	Net book value	Net book value
	(in thousands of dollars)			
Manufacturing division:				
Land (approximately 152 acres in Fort Erie)	\$ 41		\$ 41	\$ 41
Buildings	1,495	\$ 759	736	760
Machinery and equipment	2,593	2,086	507	613
	<u>4,129</u>	<u>2,845</u>	<u>1,284</u>	<u>1,414</u>
Real estate division:				
Sundry	361	163	198	88
	<u>\$ 4,490</u>	<u>\$ 3,008</u>	<u>\$ 1,482</u>	<u>\$ 1,502</u>

RONYX corporation limite

(4) Bank indebtedness —

Bank indebtedness includes a loan to the manufacturing division of \$2,022,000 which is repayable on demand. As security the company has given the bank a \$3,000,000 debenture with a first floating charge on all company property and assets and has pledged the book debts and inventory. The real estate division has a bank loan of \$1,500,000 (offset in part by a temporary deposit account of \$314,000) against which security has been provided by way of an assignment of book debts and life insurance, a first collateral mortgage on 13.4 acres valued at \$1,350,000 and hypothecation of shares of certain affiliated companies.

(5) Long term debt —

The long term debt consists of the following:

	1975	1974
	(in thousands of dollars)	
Manufacturing division:		
Capitalized lease agreement with Citicorp Leasing International Inc. for generating equipment, due September 30, 1978	\$ 43	\$ 59
Repayable portion of non-interest bearing federal government assistance payments for purchase of machine tools — due January 30, 1979	39	45
8¼% mortgage debenture payable to Ontario Development Corporation for additions to manufacturing plant secured by specific mortgage on the land and buildings, due July 15, 1980	175	203
Term bank loan, with interest based on 1% over the prime bank rate, for the financing of the Lockheed L1011 program, due June 30, 1982, against which the company has provided as security a \$3,000,000 debenture with a second floating charge on all company property and assets and a second pledge of accounts receivable and inventories	2,375	2,875
	<u>2,632</u>	<u>3,182</u>
Real estate division:		
9¼% mortgage maturing March 28, 1995, payable at \$550 per month including interest	61	
	<u>2,693</u>	<u>3,182</u>
Less principal repayments due within one year	557	553
	<u>\$ 2,136</u>	<u>\$ 2,629</u>

The long term debt requirements payable for the fiscal years 1976 to 1980 are as follows:

1976 — \$557,000; 1977 — \$556,000; 1978 — \$497,000; 1979 — \$299,000; 1980 — \$285,000.

(6) Contingent liabilities —

In prior years the cost of certain fixed asset additions was reduced by the proceeds of a forgivable loan from the Ontario Development Corporation in the amount of \$218,000. The loan, of which \$87,000 has been forgiven at September 30, 1975, is secured by the same mortgage as the 8¼% mortgage debenture (note 5). The remainder of \$131,000 is forgivable within two years providing the company fulfills certain obligations. The company is contingently liable under guarantees and other commitments in the amount of \$3,710,000 which is comprised primarily of the \$3,700,000 bank loan of Arkton Corporation Limited referred to in note (1)(b).

(7) Retirement plans —

The unamortized past service costs not reflected in the accompanying financial statements amounted to \$2,338,000 at September 30, 1975 (based on estimates by independent actuaries). Past service costs charged to income in 1975 amounted to \$225,000.

(8) Other information —

During the year the company loaned a shareholder employee \$120,000 to assist in the purchase of a house. This loan was repaid subsequent to the year-end.

The aggregate direct remuneration paid or payable by the company and its consolidated subsidiaries to the directors and senior officers of the company as defined by The Business Corporations Act of Ontario amounted to \$286,000 in fiscal 1975.

Interest paid during the year on long term debt amounted to \$315,000 and on other debt amounted to \$267,000, of which \$325,000 was included in deferred charges (note (1)(e)). The interest element of deferred charges amortized against the current year's income is \$370,000.

Depreciation deducted in arriving at income from operations amounted to \$209,000. Amortization of deferred charges amounted to \$429,000.

FLEET industries

SUPPLIERS OF MAJOR COMPONENTS FOR:

SEATTLE
Boeing
Commercial
Airplane
Company

BURBANK
Lockheed-
California
Company

LONG BEACH
McDonnell
Douglas
Corporation

WINNIPEG
Boeing of
Canada Limited
Bristol Aerospace
Limited

TORONTO
de Havilland
Aircraft
of Canada
Limited

Douglas
Aircraft Company
of Canada Ltd.

Spar Aero-
space Products
Limited

OTTAWA
Government
of Canada

SYRACUSE
General
Electric
Company

BETHPAGE, N.Y.
Grumman
Aerospace
Corporation

COLLEGE POINT, N.Y.
Edo Corporation

PLAINFIELD, N.J.
Lockheed Electronics
Company Incorporated

OVERSEAS:

BRUSSELS, BELGIUM
Belgian Navy

**BONN, FEDERAL REPUBLIC
OF GERMANY**
West German Navy

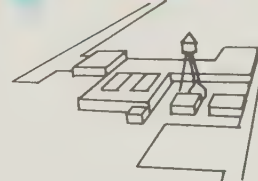
FIRENZE, ITALY
O.T.E. Divisione
Della Montedel

THE HAGUE, NETHERLANDS
Royal Netherlands Navy

HAMILTON
Westinghouse
Canada Ltd.

FORT ERIE
Fleet
Industries

BUFFALO
Bell
Aerospace
Company



RONYX corporation limited

divisions

FLEET industries—transportation, communications

RONARK developments—real estate development

12-5-75

INTERIM REPORT

March 31, 1975

Sp of

RONYX corporation limited

divisions

FLEET industries

RONARK developments

RONYX corporation limited
CONSOLIDATED STATEMENT OF NET EARNINGS
(Unaudited)

(in thousands of dollars)
Six Months ended March 31

	1975		1974	
	Manufac- turing	Real Estate	Total	Total
Sales	\$ 6,755	\$ 5,010	\$ 11,765	\$ 9,145
Earnings (loss) from operations before income taxes	(70)	208	138	481
Income taxes (recoverable)	(14)	104	90	213
Earnings (loss) before earnings of affiliated companies	(56)	104	48	268
Earnings (loss) from operations of affiliated companies		(61)	(61)	3
Net earnings (loss) for six months	\$ (56)	\$ 43	\$ (13)	\$ 271
Net earnings (loss) per common share			\$ (0.01)	\$ 0.11

NOTE: The net loss of \$56,000 for manufacturing is comprised of net earnings of \$36,000 for Fleet Industries and a provision for loss of \$92,000 representing operational and termination costs less estimated income tax recoveries on the discontinuance of the business of Sandtron Electronic Industries Limited.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(Unaudited)

(in thousands of dollars)
Six Months ended
March 31

SOURCE OF FUNDS:

Operations—		
Net earnings (loss) for six months	\$ (13)	\$ 271
Depreciation	118	102
Amortization of deferred charges	227	345
Funds from operations	332	718
Decrease in investments in affiliated companies		318
	332	1,036

APPLICATION OF FUNDS:

New facilities and equipment (net)	71	179
Deferred charges	185	141
Increase in investments in affiliated companies	208	
Decrease in long term debt	280	239
Increase in mortgages receivable		349
Decrease in deferred income taxes	27	68
	771	976

INCREASE (DECREASE) IN WORKING CAPITAL	(439)	60
WORKING CAPITAL AT BEGINNING OF YEAR	4,016	4,232
WORKING CAPITAL AT END OF HALF YEAR	\$ 3,577	\$ 4,292

CHANGES IN COMPONENTS OF WORKING CAPITAL:

Increases (decreases) in current assets:		
Cash	\$ 41	\$ (245)
Accounts receivable	986	(589)
Due from affiliated companies	97	369
Inventories	123	2,289
Mortgage receivable	(113)	
Prepaid expenses and other current assets	(12)	(17)
	1,122	1,807
Increase (decrease) in current liabilities:		
Bank indebtedness	(30)	1,508
Accounts payable and accrued charges	(236)	497
Mortgages payable	1,841	(376)
Demand notes payable to affiliated companies	150	(300)
Current instalments on long term debt		203
Taxes — income, deferred and other	(164)	215
	1,561	1,747

INCREASE (DECREASE) IN WORKING CAPITAL	\$ (439)	\$ 60
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TO THE SHAREHOLDERS:

Consolidated sales for the first half of the current year amounted to \$11,765,000 which produced a net loss of \$13,000 compared with consolidated sales of \$9,145,000 which generated net earnings of \$271,000 for the corresponding period of the previous year.

MANUFACTURING DIVISION, FLEET INDUSTRIES

Sales for the first half were \$6,755,000 compared with \$6,253,000 for the preceding year and net earnings were \$36,000 compared to \$201,000. The unfavourable comparison is partially the result of a sales mix with a higher material and subcontract content and partially because the volume of production activity was down by 28%.

The order backlog stands at \$15.7 million with future options not yet booked of \$19.2 million. Generally, the airline carriers have been experiencing serious losses as a result of the economic recession and inflationary costs and are postponing new aircraft purchases. The resulting schedule reductions by McDonnell Douglas, Lockheed and Boeing have had an adverse effect on earnings and will continue to do so until there is an upturn in demand.

Employment has declined from 733 to 477 and additional reductions are anticipated. It is unfortunate that so many skilled employees, trained in 1973 and the early part of 1974, have been lost. The Company has expectations of new orders in the field of radar and sonar but the most important factor leading to an upturn would be the release of a production order for the DHC-7 Quiet STOL.

SANDTRON ELECTRONIC INDUSTRIES LIMITED

After conducting a survey of the U.S. market for a new line of digital process controllers and photoelectric logic modules, it was decided that the response was not encouraging enough to warrant an increased commitment.

Accordingly, the business was discontinued and a net loss of \$92,000 has been written off in the consolidated earnings statement to reflect operational losses and termination costs.

REAL ESTATE DIVISION—RONARK DEVELOPMENTS

Sales for the current half year were \$5,010,000, with a profit after taxes of \$104,000 compared with sales of \$2,892,000 and a profit of \$70,000 for the same period in the preceding year.

Development work on our joint ventures with Calvert-Dale Estates Limited in Brampton and the Fraleigh interests in London is proceeding slowly. However, starts in the Fall of 1975 are forecast. Ronark's joint venture with Major Holdings and Developments Limited is continuing very satisfactorily and has been extended to the Sherwood Village subdivision in Sarnia.

At the present time, work is under way on 978 units and planning is well advanced on an additional 528 units. Total value of the uncompleted portion of the work under way and to be started before the end of the fiscal year is approximately \$24 million. The second half is always more significant and there is every reason to anticipate satisfactory year end results.

ARKTON CORPORATION LIMITED

This Company, operating in Florida and jointly owned 50% by Ronyx Corporation Limited and 50% by Sifton Properties Limited, has experienced slow sales. Currently, of the 54 units now completed, 21 are sold. As a result of increased carrying charges and additional costs, a loss of \$61,000 is reflected in the current results.

It is difficult to predict when Florida sales activity will return to more normal levels. The "Twelve Oaks" project has been acclaimed as well conceived offering water-front low rise living in a private, quiet, beautifully treed property located close to all the desirable amenities. The sales traffic through the winter and spring seasons has been exceptionally high and, under more buoyant economic conditions, there is reason to be more optimistic about sales of the current inventory and commencement of new construction.

R. K. Fraser,
President.

April 29, 1975

divisions

FLEET industries

RONARK developments

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